195/.53 **File No.** ACP 3051

P.W

B CLASS K **DEPARTMENT**

BRANCH

Subject:— Statement of Annual Accounts

B [illegible] 1953

File No. ACP 3051/4

Eld. Sett. Slip. 21 A

G.R., G.L., No. 2406, dated 22-6-22.]

Correspondence

DOCKET SHEET

Subject :—

File No. ACR 3051

P. C.

DEPT.

BRANCH.

References :—

Copies from the Original file B[M]

Date.	To whom sent.	Notes and instructions.

(ALL CORRESPONDENCE TO BE ADDRESSED TO THE SECRETARY.)

The Association of Electrical Undertakings,

Bombay Province.

REGISTERED OFFICE:
KILLICK BUILDING.
HOME STREET.

Bombay 9th July, 1951.

Ref No. AEU/27/626/51

The Secretary to the Government of Bombay,
Public Works Department,
Bombay.

Dear Sir

Statement of Annual Accounts.

Please refer to your circular letters ACP-3051 K. of 13th June addressed to the Licensees in the State excluding the Merged Areas and to those in the Merged Areas.

While the Annexures I to V formulated by Government for furnishing additional information required in connection with the provisions of the Sixth Schedule to the Electricity (Supply) Act appear generally in conformity with the Act, there are a few points which seem to be not in conformity.

ANNEXURE II.

The purport of Clause XVII(1)(a) of the Sixth Schedule to the Electricity (Supply) Act is not to exclude wholly consumers' contributions to Service Lines from the Capital Base. By virtue of Clause XII of the Sixth Schedule to the Electricity (Supply) Act, what is to be excluded in computing the Capital Base is only the contributions made by consumers towards the cost of construction of Service Lines constructed after the date on which the Act comes into force (i.e. 10-9-1948).

Furthermore the amount to be appropriated to Contingencies Reserve is based on Original Cost of Fixed Assets including Service Lines without deduction of receipts from consumers and it is better, therefore, to show the gross figure.

Sub-.....

Sub-Clauses (a) and (b) of Annexure II should, therefore, be re-worded as follows so as to conform to the provisions of the Electricty (Supply) Act:-

(a) Original cost of Fixed Assets Rs.

(b) Deduct Contributions made by consumers towards the cost of construction of Service Lines, constructed after the date of enforcement of the Act.

ANNEXURE IV

Clause XVII 9 (b) read with Clause IV(1) of the Sixth Schedule does not visualise exclusion of income derived from Depreciation Reserve in computing the "Reasonable Return".

Paragraph (b) of Annexure IV should, therefore, be re-worded as follows:-

"Income from Investments other than those made from Contingencies Reserve".

The suggestions made above, are, it is felt, necessary to bring the Forms into line with the Law and it will be much appreciated if Government will issue revised instructions to Licensees modifying the Forms suitably.

Incidentally, this is a further instance where prior consultation with the Association would have been of advantage and the Council hope that in future when problems which are of general import to the industry are under consideration Government would be kind enough to institute such consultation before coming to decisions.

Yours faithfully,

Sd/-

Secretary.

SBS.

✓ 1677 - 3

K.B. P. W. D.

Acknowledged.

Id/-
12-7-51.

Id/-
11-7-51.

ACP. 3151/59686.

K.B. P. W. D.

Submitted.

2. Please see the letter from the Association of Electrical Undertakings, Bombay Province, either the A.G., Bombay and the Electrical Engineers to Government may be requested u.o. to other remarks on the points raised therein.

Id/-
19-7-51.

D.S.

Id/-
20-7-51.

U. O. to the A.G., Bombay, and the El. Engr. to Government dated 21st July 1951.

A.G's office, Bombay.

Returned with compliments.

2. The following remarks are offered ~~Assecciation~~ on ~~Electric~~ the letter from the Secretary, Association Electrical Undertakings addressed to Government.-

Assexure II - This office concurs with the view expressed by the Association of Electrical Undertakings and there is no objection to sub-clauses (a) and (b) of Annexure II being reworded in the manner suggested by them. This may be done after obtaining the concurrence of the Central

Electricity...

Electricity Authority, if necessary.

Annexure IV - The words "and Depreciation Reserve" were added at the end of item (b) of Annexure IV under the presumption that the intention of Electricity (Supply) Act 1948 was not to allow the Companies to get a double benefit firstly by way of 5% on Investments from Depreciation Reserve included under Capital Base vide para XVII(1)(d) of the Sixth Schedule and secondly under para XVII(9)(b) ibid:

In this connection a reference is invited to the remarks in para 8(ii) of this office U.O.R.No.OA/3384 dated 4-8-50.

The point may therefore be referred to the Central Electricity Authority for clarification, if it has not already been referred to that body.

Sd/-
-13-8-

U.O.R. to Govt. in the P.W.D.Bombay.

No. OA/5418 14-8-51.

SBS.

19-21 5

K.Br. ACP 3051

P. W. D.

Submitted with reference to the O.N., dated the 19-7-51.

2. Instead of returning the papers through the Electrical Engineer, the A.G. has returned them direct to this office, with his remarks. The papers may accordingly therefore, be referd u.o. to the Electrical Engineer for remarks on the points raised in the Association of Electrical Undertakings' letter at pp. 13-15 ante, as proposed in the O.N., dated the 9-7-1951.

Id/-
22-8-51.

U. O. to the El. Engr. to Govt., dt. 24th August 1951.

.....

.....

Below U.O.R. No. ACP.3151/71563 dated the 24th August 1951, from Government in the Public Works Department.

No. LA.31/ 6651 of 1951.

Bombay, 11th SEPTEMBER 1951.

Returned with compliments.

2. I agree to the remarks made by Examiner, Outside Audit in para 2 of his endorsement at pp. 17-18 ante, on the points raised by the Association and I have no further remarks to offer.

Sd/-

Electrical Engineer to Govt.

SBS.

6 23-24

ACP 3051.
85177
P. W. D.

K.Br.

Submitted with reference to the O.N., dated the 21-8-51.

2. Your verification of the Registry Branch and this Br. diaries by the Branch search, the remarks of the A.G. contained in his u.o.r. No. 0A/3384, dated the 4-8-1950, referd to at p. 18 ante, do not appear to have been received. The A.G., may therefore be requested u.o. to furnish a copy thereof, to enable disposal of the case.

Through R.

Id/-
3-10-51.

The A.G.'s u.o.r. No. 0A/3384 dated the 4-8-1950 has been received under No. 2581/36/63943-E1(I).

.....

.....

ACP 3051/78346

It may please be noted that though the number of the u.o.r. has not been mentioned clearly in the diary, it has been ascertained from the pps. that it is the same u.o.r.

Id/-
10-10-51.

K. Br. to deal with

Id/-
11-10-51.

another further urgently pl.

Id/-
12-10-51.

SBS.

25-26. ✓ 7

ACP 3051/85177

Public Works Department.

The following points have been raised by the Association of Electrical Undertakings on certain items specified in Annexures I to V formulated by Government, for furnishing additional information required in connection with the provisions of the Sixth Schedule to the Ely. (Supply) Act, 1948.

(1) Please see sub-clauses (a) and (b) of Annexure II regarding the calculation of 'Capital Base' vide para. XVII (1) of the Sixth Schedule to the Elcy. (Supply) Act, 1948. The Association suggests that sub-clause (a) and (b) of Annexure II should be re-worded as follows so as to conform to the provisions of the Supply Act.

	Rs.
(a) Original cost of fixed Assets	
(b) Deduct Contributions made by consumers towards the cost of construction of Service Lines, constructed after the date of enforcement of the Act.	

The Association's contention for suggesting the above modifications is that the purport of Clause XVII (1) (a) of the Sixth Schedule to the Supply Act is not to exclude wholly consumers' contributions to Service Lines from the Capital Base. According to this Clause the original cost of fixed assests subject to the provisions of para. XII in respect of service lines, is one of the items to be taken into account for calculating 'capital base". Clause XII of the Act, provides that "where ~~contributu~~ contributions are made by consumers towards the cost of construction of service lines constructed after the date on which this Act comes into force, only the net cost of such service lines after duducting such contributions shall be included in the cost of fixed assests for the purposes of arriving at the capital base." According to the Association's opinion, by virtue of Clause XII, what is to be excluded in computing the Capital Base is only the contributions made by consumers towards the cost of constructions of Service Lines constructed after the date on which the Act

comes....

comes into force. The view taken by the Association appears correct. The A.G. and the Electrical Engineer also concur with the view expressed by the Association. It does not appear necessary to consult the Central Ely. Authority on this point which is quite clear. Necessary steps may perhaps, therefore, be taken to modify sub-clauses (a) and (b) of Annexure II which may be reworded in the manner suggested by the Association of Elecl. Undertakings.

2. The second discrepancy pointed out by the Association is in regard to paragraph (b) of Annexure IV at p. 7 ante, which provides that income from investments other than those invested from Contingencies ~~other than these invested from Conti~~ Reserve and Depreciation Reserve ~~such~~ must be taken into account in computing reasonable return. According to the Association's opinion, Clause XVII 9(b) read with Clause IV(1) of the Sixth Schedule does not visualise exclusion of income derived from Depreciation Reserve in computing Reasonable Return. The Association therefore suggests that Para. (b) of Annexure IV should, be ~~rew~~ reworded as follows :-

> "Income from investments other than those made from ~~these from~~ Contingencies Reserve."

Please see para. 8(ii) of the A.G.'s remarks which deals with the same point. It will be observed that the view taken by the A.G. is contrary to that expressed by the Association. The note explains why the A.G. ~~is contrary to that expressed by the Association~~ considers that income derived from Depreciation Reserve should be excluded in computing reasonable return. Therefore, on the point raised by the Association in this connection, the A.G.'s remarks are that the words "and Depreciation Reserve" were added at the end of item (b) of Annexure IV under the presumption that the intention of the Ely. (Supply) Act, 1948, was not to allow the companies to get a double benefit firstly by way of 5% on investments from Depreciation Reserve included under Capital Base vide para. XVII (i) (d) of the Sixth Schedule and secondly under para. XVII (9) (b) ibid. It is however, a question of interpretation of the provisions of the Sixth Schedule, andthe A.G., therefore, suggests that the matter be refered to the Central Ely. Authority for clarification. Before this is done, the C.E., B.E.G.'s remarks may perhaps be obtained in the matter.

Id/-.....

Id/-
1-11-51.

Sub-clause (a) and (b) of annexure II may be modified as suggested. Regarding annexure IV C.E. B.E.G.'s remarks may be obtained before referring to C.E. Authority.

Id/-
1-11-51.

Id/-
2-11-51.

U. O. to the C.E., B.E.G., dated 5th November 1951.
(with file No. 2581/36.)

Id/-
5-11-51.

Below P.W.D. U.O.R. No. ACP 3051/85177 dated 5-11-1951.

Electric Grid Offices.

For the reasons side-lined 'A' in the Association of Electrical Undertaking's letter No. AEU/27/626/51 dated 9-7-1951 at page 13 ante, I agree that the Sub-clauses (a) and (b) of annexure II at page 3 ante may be reworded as suggested by the Association. As there is no dispute or question regarding the interpretation of the Act, it is not considered necessary to refer the matter to the Central Electricity Authority.

2. However, the Association's argument that "the amount to be appropriated to contingencies Reserve is to be based on original cost of Fixed Assets including service lines ~~without~~ without deduction of receipts from consumers" cannot be accepted. The 'Original Cost' is clealy defined in the Electricity (Supply) Act, 1948 (Cl.XVII(6) of the Sixth Schedule) to be the cost of an asset to the licensee and the cost to the licensee will obviously be the actual cost minus

the.....

the contribution of the consumers this may be pointed out to the Association, so that, they may not interpret the Government's agreement to the suggested modification of Annexure II to mean acceptance of their stand on this point.

3. The Accountant General in his U.O.R. No. OA/3384 dated 4-8-1950 at page 48 of P.W.D. file No. 2581/36/26288 flag 'A' has stated that because the income from the securities held by the "Contingency Reserve" is excluded in computing the reasonable return, for the reason that the cost of these investments has already been taken into account in arriving at the capital base, on the same lines the income from securities, purchased with the approval of Government out of the contributions to the Depreciation Fund not invested in the assets of the Undertaking, should also be ~~exd~~ excluded in computing the reasonable return as the cost of these investments is also included in the capital base. I agree with the Accountant General's remarks. However, as the law stands at present, only the income from the Contingencies Reserve is to be excluded in arriving at the Reasonable Return as clearly stated in para XVII 9 (b) of the Sixth Schedule. It does not therefore call for any interpretation at present but the law requires to be amended in this respect, for which the Government may address the Central Government for necessary action. In the meantime, however, the second modification suggested by the Association may be accepted as it is in accordance with the provisions of the Act as it is today.

I shall be obliged if six stencilled sets of the revised forms are furnished to this office for record.

Sd/-
2-11-51.

The Secy. to Govt.
P.W.D., Bombay.

U.O.R.No. BIE/33075
(with file No. 2581/36/...
Bombay 1, 22nd November 1951

SBS.

ACP 3051
101421

P. W. D.
K.

Submitted with reference to the U.O.R. to the C.E., B.E.G., dated 5-11-51.

2. The C.E. agrees that the Sub-Clauses (a) and (b) of the Annexure II and para. (b) of the Annexure IV may be reworded as below:

Original wording.	Proposed wording.
Annexure II	
I (a) Original cost of fixed assets other than service lines.	(a) Original cost of fixed assets.
II (b) Net cost of service lines (total cost less receipts from consumers - vide para. XII of Sixth Schedule).	(b) Deduct contributions made by consumers towards the cost of construction of service lines constructed after the date of enforcement of the Act.
Annesure IV	
III Paragraph (b) Income from investments other than those invested from Contingencies Reserve and Depreciation Reserve.	Income from investments other than those made from contingencies Reserve.

However in case of I and II above, he does not agree with the argument of the Association, vide para. 2 of his note.

3. As regards III above, the C.E. agrees with the A.G., Bombay, that the income from the investment out of the contributions to the depreciation fund, not invested in the assets of the undertaking should be excluded while computing the reasonable return. But according to the provisions of Clause XVII 9(b) of the Act only the income derived from the investments out of the Contingencies Reserve fund is to be excluded from the reasonable return and income derived from other investments is to be included. The C.E. suggests therefore that necessary amendments to the Act may be made in view of the suggestion made by the A.G. In the meantime, as the provisions of the above Clause stand today, the Associations' suggestion to reword III as shown overpage may be agreed to.

4.....

4. The views expressed by the C.E. may be agreed to and the Association's suggestions to modify the Annexures may be accepted. Necessary drafts - reply to Association's Association's letter and intimation to the licensees of the modifications to the Annexures will be put up for approval after receipt of orders and the question of necessary amendments to the Act will be dealt with there after.

Id/-
20-12-51.

Id/-
21-12-51

Id/-
22-12-51.

Id/-
24-12-51.

SBS.

✓ 39 13

No. ACP 3151 K.

Public Works Department,
Bombay Castle (Bombay No.1).
31st January 1952.

From

The Deputy Secretary to the Government of Bombay,
Public Works Department.

To

The Electrical Licensees excluding the Local Authority Licensees.

Subject:- Statements of Annual Accounts.

Dear Sirs,

I am directed to refer to the Government Letter No. ACP 3151 K, dated the 13th June 1951, on the above subject and to request you to make amendments to the Annexures II and IV in the forms enclosed therewith, as shown below :-

Original	As amended.
Annexure II.	
(a) Original cost of fixed assets other than service lines.	(a) Original cost of fixed assets.
(b) Net cost of service lines (Total cost less receipts from consumers vide paragraph XII of Sixth Schedule.	(b) Deduct contributions made by consumers towards the cost of construction of service lines constructed after the date of enforcement of the Act.
Annexure IV.	
Paragraph (b).	
Income from investments other than these invested from Contingencies Reserve and Depreciation Reserve.	Income from investments other than those made from Contingencies Reserve.

Yours faithfully,

Sd/- O/C.

V. W. Gothoskar,

Deputy Secretary to the Government of Bombay,
Public Works Department.

D.A.-Nil.

Copy forwarded to the Secretary to the Association of Electrical Undertakings, Bombay Province, with reference to his letter No. AEU/27/626/51, dated the 9th July 1951.

2.....

14 39-2K

2. It is however stated for the information of the Secretary that his contention that, 'the amount to be appropriated to Contingencies Reserve is to be based on original cost of fixed assets including service lines without deduction of receipts from consumers', is not accepted. The 'original cost' is clearly defined in the Electricity (Supply) Act, 1948 (Clause XVII (6) of the Sixth Schedule) to be the cost of an asset to the licensee and the cost to the licensee would obviously be the actual cost minus the contribution of the consumers.

Copies forwarded to -

the Chief Engineer, Bombay Electrid Grid, with 6 sets of the revised forms, with reference to his No. PLE/33075, dated the 22nd November 1951,

the Electrical Engineer to Government with reference to his No. LA 31/6651, dated the 11th July 1951.

the Accountant General, Bombay, with reference to his No. OA/5418, dated the 14th August 1951.

SBS.

✓ ~~24~~ 15

(ALL CORRESPONDENCE TO BE ADDRESSED
TO THE SECRETARY)

The Association of Electrical Undertakings
Bombay Province.

REGISTERED OFFICE
KILLICK BUILDING.
HOME STREET.

Ref. No. AEU/27/946/52. Bombay 2nd April 1952.

The Secretary to the Government of Bombay,
Public Works Department,
Secretariat,
Bombay.

Dear Sir,

Statement of Annual Accounts

Please refer to your endorsement to this Association on copy of Government's lettef No. ACP. 3051 of 18th/31st January 1952 addressed to the licensees in the State.

The Council of this Association find themselves unable to agree with Government's view.

Under Clause XII of the Sixth Schedule to the Electricity (Supply) Act, consumers' contributions are to be deducted only "for purposes of assessing the Capital Base". There is nothing said in this clause or elsewhere, about also deducting the consumers' contributions for purposes of assessing the contributions to contingencies reserve (which latter fall under Clause IV of the Sixth Schedule) or indeed for any purposes. It is the Association's submission that consumers' contributions towards service line charges should not be deducted in assessing the contribution to Contingencies Reserve. More explicitly, in clause XII of the Sixth Schedule the result after deducting consumers' contributions is called the "nett" cost. This obviously is not the "original" cost as Government seek to suggest. The "original" cost is the total cost to the licensee as clearly stated in the Proviso to Clause XII itself.

Apart from legal arguments as above, it may be mentioned here that the consumer's contribution towards the Service Line charges is an incidental factor. In the first instance the licensee pays the full amount of the original

cost.....

cost himself, the consumer's contribution being secondary. Further the licensee must find depreciation on the full "original" cost (vide the proviso to Clause XII of the Sixth Schedule) and the contribution towards the Contingency Reserve must properly also be on the same full basis for the reason that the licensee has to replace the assets (which remain his property) out of his funds when they wear out, or otherwise need replacement as the result of some contingency.

Yours faithfully,

Sd/-

Secretary.

SBS

4444 17

ACP 3051
32589

P. W. D.

K.Br

Submitted with reference to the Government Endorsement at p. 37 ante.

2. Please see para 2 of the G.E. at p. 37 ante. The Association of the Electricity Undertakings does not agree with the Government's view vide in this connection para 2 of the C.E.,B.E.G.'s note at p.29 ante. After all, it is a matter of interpretation of and argument on the provisions of Sixth Schedule to the E(S) Act 1948. No reply is necessary to the Associations' letter.

3. Please see portions marked 'A' and 'B' on p-37 ante which are the original and the amended forms respectively of para (b) of Annexure IV to the Statements Accounts. The words 'and Depreciation Reserve' the end of 'A' were added by the A.G. Bombay, vide his remarks, portion marked X on pp ~~17-1~~ 17-18 ante. The A.G.'s view appears to be correct. Please see the defination of the term' reasonable return' in Clause XVII(9). According to sub-clause (b) ~~therefe-~~ thereof income derived from investments other than those made out of the contributions to 'contingencies Reserve' has to be taken into account in computing the amount of reasonable return. The income from the investments made out of the contingency reserve is excluded presumably because the cost of these investments is taken into account in calculating the capital base (vide paragraph XVII (1)(d) on which a return of 5% is allowed). On the same lines the income from securities purchased, with the approval of Government, out of the contributions to the depreciation fund, not invested in the assets of the undertaking, should also be excluded in computing the reasonable return as the cost of these investments is also included in the capital base. But according to the provision of the Act vide clause XVII (9) (b) the income derived from the investments out of the depreciation

fund.....

fund is to be included while computing the reasonable return. This, in effect, allos the cos. to get a double benefit, firstly by way of 5% on investments from depreciation reserve included under capital Base ~~de~~ vide para XVII (1) (d) of the Sixth Schedule and Secondly under para XVII (9) (b) of the Schedule. This point may if approved be brought to the notice of G/I with a suggestion to make suitable amendment to the Act if necessary, as suggested by the A.G. and the C.E.,B.E.G. The draft put up for approval may issue.

Id/-
23-4-52.

Id/-
25-4-52.

Electric Engineer should see.

Id/-
25-4-52.

u. o. r. to the Electrical Engineer to Government dated the 26-4-52.

with 2501/36.

SBS

No.ACP 3051. K

Public Works Department,
Bombay Castle (Bombay No.1),
10th May 1952.

To

The Secretary to the Government of India,
Ministry of Natural Resources and Scientific Research.

Subject:- Income derived from the investments out of the depreciation reserve fund.

Sir,

I am directed to observe as follows on certain provisions of the Electricity (Supply) Act 1948 relating income derived from the investments out of the depreciation reserve fund.

According to item (b) of sub-clause (9) of clause XVII to the above act, income derived from the investment other than those made out of the contributions to 'Contingencies Reserve' has to be taken into account in computing the reasonable return. The income derived from investments out of the Contingencies is excluded presumably because the cost of these investments is taken into account in calculating the 'Capital Base' vide para XVII (1) (d) on which a return of 5% is allowed. It therefore seems advisable that the income derived from investments out of the contributions to the Depreciation Reserve which could not be invested in the assets of the undertaking (vide Clause XVII (1) (d)) should also be excluded from the provisions of Clause XVII (9) (b) of ibid, as the cost of these investments is included in the 'Capital Base! According to the provisions of Clause XVII (9) of the Act, as they stand at present, the income derived from the investment out of the contributions to the depreciation Reserve is to be included while computing the reasonable return. I am to suggest that item (b) of Sub-Clause (9) of Clause XVII to the Electricity (Supply) Act 1948 may be suitably ammended, if necessary, in view of the above comments.

Yours faithfully,

Secy. to the Govt. of Bombay.

Copy.

45-47-48

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Copy forwarded to -

the C.E., B.E.G. with reference to his No.PLE/33075 dated the 22-11-51.

the A.G. Bombay with reference to his No.OA/5418, dated the 14-8-51.

for information.

Id/-
23-4-52.

.....

Below U.O.R. No. ACP.3051/32589 dated 26-4-1952, from Government in the Public Works Department.

No. LA 31/990 of 1952.
Bombay, i. 2nd May 1952.

Returned with compliments.

2. I agree with the view expressed in para 3 of the Secretariat Note.

Sd/-
Electrical Engineer to Government.

ACB 3051/42171

To the P. W. D.

K. Br.

Submitted with reference to the Sedretary's note dated 25-4-52.

2. The Electrical Engineer agrees with the O.N. The draft at pp 45-46 may issue.

Id/-
8-5-52.

Id/-
9-5-52.

SBS.

~~ST~~ 21

No. ACP 3051 K.

P. W. D.
C. (Bombay No.1)
17-3-53.

To

The Secretary
The Association Electrical Undertakings
- Bombay Province.
Killick Buildings
Home Street, Bombay.

Subject:- Statement of Annual Accounts.

Sir,

With reference to your letter No. A.E.U./27/940/52, dated the 2nd April 1952 and subsequent reminder thereon on the subject mentioned above I ~~di~~ am directed to state that the view expressed by you in your letter under reply, it is regretted cannot be accepted.

Yours faithfully,

Asstt. Secy. etc. P. W. D.

D.A: Nil.

Id/-
27-2-53.

22 54

Below U.O.R. No. ACP 3051/17873 dated the 28th February 1953, from Government in the Public Works Department.

No. L.A.31/18635 of 1952-53.
Bombay, 9th March 1953.

Seen and returned, with compliments.

Sd/-
Electrical Engineer to Govt.

SBS.